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MEMIRARDIM FOR: Deputy Director Central Intelligence

VIA:

Deputy Director (Plans)

SUBJECT:

Extension of CAT Operation From Hong Kong

into Saigon and Beyond

This memorandum contains a recommendation submitted for DDCI approval. Such recommendation is contained in peragraph six.

- 1. Problem: Securing 5th Freedom Traffic Rights for CAT at Salgon.
- 2. Assumption: That it is operationally desirable for CAT as a CIA asset to operate a commercial airline schedule into and through Saigon, South Vietnam.

3. Pacts Bearing on the Problem:

- a. The Government of South Vietness has granted 3rd and 4th Freedom Rights to CAT between Saigen and Taipei.
- b. The British Government in Hong Kong has indicated their villingness to extend traffic rights south of Homa Kong to CAT in exchange for the granting of traffic rights to Hong Kong Airways by the Chinese Rationalist Government north of fripei.
- c. CAT is desirous of operating a commercial schedule into Saigen using Hong Kong as an intermediate point, with the possibility of later operating a commercial schedule through Seigon to Bangkok.

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d. CAT has presented a request to the Government of South Vietnem for the granting of 5th Freedom Rights in Saigon which was refused. The basis of the refusal was not stated but it is believed that the political situstion vis-a-vis South Vietnam and the Republic of China and the competition CAT would offer Air Vietnam and Air France are major factors.

4. Discussion:

- a. It is felt that an extension of CAT's commercial operation into Saigon and eventually into Bengkok would have the following edvantages to the Agency and the U. 3. Government:
 - (1) Strengthen the overall cover of the airline in the area.
 - (2) Provide justification for the expansion of CAT stations in Seigon and Bangkok thus providing

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- (3) Increase the prestige and influence of the Chinese Nationalists in Southeast Asia in conformity with U. S. foreign policy.
- (4) Provide additional revenue from commercial airline operations on a route not competitive with any U. S. Carrier thus reducing the overall cost of CAT to the U. S. Government. A route not including traffic rights over the Saigon-Hong Kong segment could not develop sufficient load to justify the operation.
- b. In order to bring about a reversal of the position of the Government of South Vietnem on the issue of granting 5th Freedom Rights to CAT, it is suggested that representatives of the U. S. diplomatic mission to South Vietnam present a case to the Vistnamese Government for the granting of these rights. The basis for this presentation could take advantage of the fact that the Vietnamese have already granted 4th Freedom Rights thus establishing political acceptability and that the U. S. Government is vitably interested in comenting the relationship of the Chinese and Vietnamese to a further extent.

c. The approach should be phrased so as not to reveal the U. S. Government/CAT relationship.

5. Conclusions:

a. That the Chief Executive Officer of CAT accompanied by representatives of the Far East Division contact the members of the State Department concerned to discuss the approach to the Vietnamese Government and issue appropriate instructions.

b. That the be in- 25x1 structed to brief the U.S. Ambassador to South Vietnam on the CIA/CAT relationship.

6. Action Recommended:

- a. Affirmation that the extension of CAT's commercial operation into Saigon is operationally desirable.
- b. Authorization to present this position to the State Department and solicit their cooperation.

Chief, Far East Division

CONCUR:

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ISI Richard fielms
For APR 1 1957

Deputy Director (Plans) Date

(signed) H. Gates Lleyd APR 8

Deputy Director (Support)

Date
The recommendation contained in
paragraph six is approved:

SIGNED

Deputy Director Central Intelligence

DDP/FE /ww(28Mar57)

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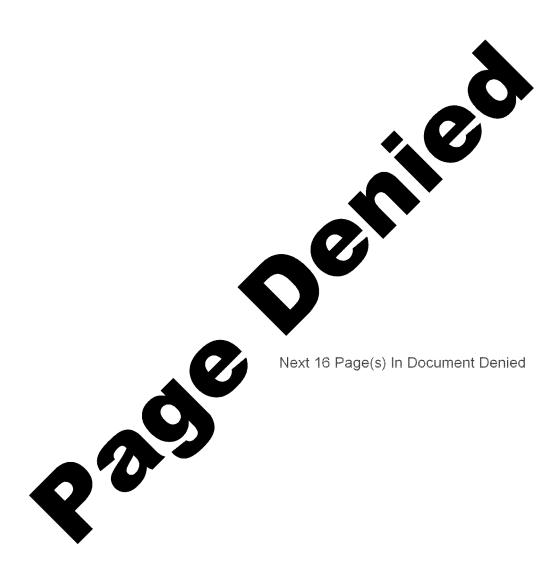
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